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Passage of Zapper Bill Bad News for Cash Skimmers

OLYMPIA, WA – April 19, 2013 – Passage this week of a bill targeting retailers who use illegal “zapper” software to erase cash sales from cash registers is bad news for tax cheats, the Department of Revenue says.

The House unanimously passed Senate Bill 5715, which makes it a class C felony to commit tax fraud using automated sales suppression software, commonly known as “zappers.” The Senate earlier unanimously passed the bill, which now goes to Governor Jay Inslee for his signature.

Under the legislation, persons convicted of selling, installing, or designing zappers will be subject to an additional mandatory fine that is the greater of \$10,000 or the amount of tax that the retailer didn’t pay.

It also gives the Department of Revenue the authority to revoke the business licenses of any business found using such devices and not reinstate a business unless it agrees to five years of electronic monitoring.

Zapper use has spread across the country and Canada. It alters cash transactions from electronic cash registers and point of sale systems so that the reduced sales can’t be tracked later using traditional audit methods. Businesses found to be using zapper software typically have been restaurants and other small businesses that are predominantly paid in cash. They collect sales tax from customers but keep it rather than remitting it to the state as required by law.

Revenue Director Carol K. Nelson said this legislation raises the stakes for businesses that keep sales tax they collect from customers and understate their gross income so they pay less business and occupation tax.

“Customers have the right to expect the sales tax they pay to be returned to them in the form of state and local services such as schools and law enforcement,” Nelson said.

Rep. Ed Orcutt, who was prime sponsor of a House version of the zapper legislation, said the zappers simply have no legitimate use.

“They are used solely to defraud the State of Washington and the U.S. Government, and this bill will hold them accountable and help deter this illegal activity” Orcutt said. “In doing so, we’re making sure the businesses that are collecting sales tax from customers are remitting that to the state, and that in turn protects taxpayers.”

Thirteen other states have passed legislation targeted at sales suppression software.

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